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**THE DIRECTOR OF CENTRAL INTELLIGENCE**

WASHINGTON, D. C. 20505

National Intelligence Officers

NFAC 4615-81  
24 July 1981

MEMORANDUM FOR: Director of Central Intelligence  
Deputy Director of Central Intelligence

VIA: National Intelligence Officer for Warning

FROM: Charles E. Waterman  
National Intelligence Officer for NESA

SUBJECT: Monthly Warning Meeting - July 1981

1. Israel-Palestinian Fighting. The qualitative change in Israeli military actions in Lebanon flows from Tel Aviv's position that the Palestinians must not have a conventional warfare capability. Thus, any cease-fire achieved by the Habib mission under current circumstances is likely to be politically motivated and short-lived. The Begin government will continue to aggressively prosecute its policy of trying to keep the Palestinians off-balance because it sees the conflict solely in terms of Israeli national security. Attempts by the USG -- or any other mediator -- to defuse the present conflict without reference to the underlying problem of Palestinian nationalism and identity will be difficult.  25X1

2. Arab Reactions. Already bruised by the Israeli air attack on Iraq's nuclear facility, Arab states of all political coloration are now grasping for some means to express their individual and collective frustration over the renewed fighting. Because of their military vulnerabilities, most reactions will be rhetorical. There will be talk of the "oil weapon", Arab solidarity, and Zionist-US collusion, but whether any of this produces concrete action remains problematical. Community analysts highlighted certain possibilities which are potentially troublesome for the US. These include:

- a. The apparent Jordanian decision to purchase Soviet air defense weapons.
- b. The possibility that Saudi Arabia might modestly reduce oil production, while privately conveying assurances to Washington that the action is intended for local consumption in light of current market conditions.

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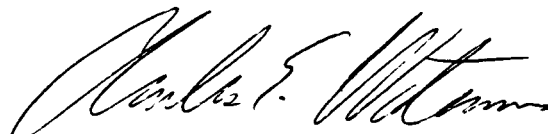
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- c. Renewed activities at the UN or in other international bodies aimed at curtailing or eliminating Israeli participation.
- d. Conduct of terrorist acts against Israeli interests abroad by radical Palestinian groups and possibly against US interests by non-Palestinian organizations with ties to the PLO.
- e. Continued delivery of Soviet arms to the Palestinians by Syria and Libya. There is a chance that Israel will attempt to interdict weapons shipments outside Lebanon possibly by sinking an arms carrier at sea.  25X1

3. Soviet Strategy. The Soviets recognize that Israeli actions in Lebanon are working in Moscow's favor. They are probably less pleased with the USG's decision to delay delivery of the F-16s to Tel Aviv. In any case, the Soviets hope that their present strategy of low visibility will enhance the line that Israel, not the USSR, is the greatest threat to the Arabs, thereby frustrating our efforts to achieve strategic policy goals in the region. Meanwhile they are likely to play on the nervousness of any Arab state which provides them opportunity for inroads. The previously noted Jordanian air defense consultations and ongoing arms deals with Qadhafi are exemplary in this respect.  25X1

4. Iran. Analysts expect the forthcoming national election in Iran to rubber-stamp the presidential candidacy of IRP nominee Rajai. All felt that Iran is continuing its slide into further turmoil and political violence. Further acts of terrorism and heavy-handed repression are certain.  25X1

  
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